

Consolidated Financial Results for the Third Quarter of FY2009

Listed Company Name: Nippon Flour Mills Co., Ltd.
 Listing: The 1st section of Tokyo and Osaka Securities Exchanges,
 Sapporo Securities Exchange
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*Amounts under one million yen have been rounded down.

1. Consolidated Results for the Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

(1) Business Results (Cumulative)

(Percentage figures indicate the rate of change from the same period in the previous year.)
 (Millions of yen, except for per share figures)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
3Q of FY2009	210,216	—	8,728	—	8,727	—	4,056	—
3Q of FY2008	188,967	4.4%	5,996	22.7%	5,871	11.8%	3,017	(8.1%)

	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
3Q of FY2009	24.27	22.17
3Q of FY2008	17.87	16.34

(2) Consolidated Financial Position

	Total Assets (Millions of yen)	Net Assets (Millions of yen)	Equity Ratio (%)	Net Assets per Share (Yen)
3Q of FY2009	193,884	91,118	46.0	533.76
FY2008	193,113	93,726	47.5	549.13

(Reference) Equity capital: 3Q of FY2009: ¥89,209 million; FY2008: ¥91,782 million

2. Dividends

Record date	Dividends per Share (Yen)				
	First quarter	Second quarter	Third quarter	Year-end	Full year
FY2008	—	3.50	—	3.50	7.00
FY2009	—	3.50	—	—	—
FY2009 (Forecast)	—	—	—	3.50	7.00

(Note) Adjustment for the projected dividend in the current quarter: None

3. Forecast of the Consolidated Financial Results for FY2009 (April 1, 2008 - March 31, 2009)

(Percentage figures indicate the rate of change from the previous year.)

Full Year	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)	(Yen)
	275,000	9.7	7,500	11.8	7,500	11.4	4,300	12.8	25.73

(Note) Adjustment for the projected consolidated financial results in the current quarter: None

4. Others

(1) **Significant changes in subsidiaries during the term (Changes in specific subsidiaries with changes in the scope of consolidation):** None

(2) **Adoption of the simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements:** Yes

Note: For details, please refer to Page 4-5, "4. Others" of "Qualitative information and financial statements."

(3) **Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements (Changes described in the section of "Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements")**

1) Changes due to revisions of accounting standards: Yes

2) Changes other than 1): None

Note: For details, please refer to Page 4-5, "4. Others" of "Qualitative Information and financial statements."

(4) **Number of shares issued and outstanding (common stock)**

1) Number of shares issued and outstanding at the end of each period (including treasury stock)

3Q of FY2009: 174,148,018 shares; FY2008: 174,148,018 shares

2) Number of treasury stocks at the end of each term and fiscal year

3Q of FY2009: 7,014,431 shares; FY2008: 7,005,544 shares

3) Average number of shares (quarterly consolidated cumulative period):

3Q of FY2009: 167,134,693 shares; 3Q of FY2008: 169,081,486 shares

*** Disclaimer regarding forward-looking statements and other remarks**

1. The above forecast has been prepared based on data as of the announcement date. Actual results may differ from the forecasted figures due to various factors.

2. Effective from the first quarter of the fiscal year ending March 31, 2009, the "Accounting Standard for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (ASBJ Guidance No. 14) are applied. In addition, quarterly consolidated financial statements are prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements."

[Qualitative information and financial statements]

1. Qualitative information on consolidated operating results

During the first nine months of the year ending March 31, 2009, the Japanese economy became entangled in grave difficulties as corporate earnings deteriorated and personal consumption slowed with the deepening of the worldwide financial crisis, which spread outward from the U.S.

The food industry continued to operate in a challenging environment as prices of ingredients and other materials remained high. Also, consumers' mistrust of the food industry was exacerbated by a spate of false product labeling incidents and a scandal concerning tainted rice. The market environment for the flour milling industry is changing greatly. Against the background of sharp increases in international wheat prices, the government increased prices of major types of wheat by 30% in April 2008 and by 10% in October 2008, resulting in a continued increase in procurement costs.

In these circumstances, the Group launched the two-year SG100 08/09 Medium-Term Business Plan in April 2008 with the aim of achieving sustainable growth and enhancing corporate value. Based on key strategies to strengthen profitability and to achieve diversified growth, the Group worked to reduce costs and improve productivity. At the same time, with the objective of strengthening the competitiveness of the core flour milling business, the Company took decisive action. In May 2008, the Company signed a basic agreement on a tie-up with Mayeda Sangyo Co., Ltd. concerning the flour milling business. In December 2008, the Company acquired additional shares of Tofuku Flour Mills Co., Ltd. and positioned it as an affiliate accounted for by the equity method to further strengthen the close relationship.

In the food business, the pasta production line at Kakogawa Plant of OHMY Co., Ltd. was refurbished in October 2008 in order to increase capacity and improve production efficiency as well as to ensure the highest possible quality by introducing a state-of-the-art production management system.

In June 2008, a premix plant of Tianjin Chuan Shun Foods Co., Ltd., a joint venture established in Tianjin, China, for the purpose of expanding business overseas, started operation.

As a result, consolidated net sales for the first nine months of the current fiscal year were ¥210,216 million, operating income was ¥8,728 million, ordinary income was ¥8,727 million, and net income was ¥4,056 million.

The performance of individual business segments was as follows.

Flour Milling

In the Flour Milling segment, to further strengthen relationships with customers, the Group conducted vigorous sales and marketing, including the holding of various workshops and management seminars and the launch of distinctive new products attuned to the evolving market. However, reflecting sluggish demand for wheat flour in Japan, shipment of wheat flour decreased compared with the figure of the same period of the previous year. Nevertheless, sales of wheat flour exceeded the level for the same period of the previous year because the Group revised the wheat flour sales prices in line with the 30% increase in April 2008 and the 10% increase in October 2008 in the government's sales prices of major types of wheat. The market for wheat bran, a by-product, was robust. The profitability of exports improved in light of the stabilization of the market for raw wheat and the appreciation of the yen. Revenues from the warehousing and harbor transport businesses exceeded the results for the same period of the previous year. As a result, net sales for the Flour Milling segment were ¥81,975 million, and operating income was ¥5,267 million.

Food

In the Food segment, the Group introduced distinctive new products based on the threefold concept of wellbeing, safety, and simplicity. At the same time, the Group conducted vigorous marketing, including holding of technical workshops on Italian food for professional cooks and participation in exhibitions. The Group launched new home-use products attuned to evolving customer preferences. Sales of pasta-related products and premixes were robust thanks to measures to increase efficiency of sales by reviewing distribution costs. Sales of frozen ingredients and foods increased, led by frozen pasta for home use. Sales of deli products exceeded the level for the same period of the previous year as a result of robust sales of boxed lunches for convenience stores. As a result, net sales for the Food segment were ¥106,815 million, and operating income was ¥4,055 million.

Other Businesses

In the Other Businesses segment, sales of pet food products were robust, reflecting the rising number of pet lovers. Regarding the health food products operation, sales of newly introduced foods for specified health use and linseed oil were upbeat. While sales of the biotechnology-related business increased compared with the same period of the previous year, sales of the engineering business decreased. As a result, sales for the Other Businesses segment were ¥21,425 million.

2. Qualitative information on consolidated financial position

Total assets at the end of the third quarter of the current fiscal year were ¥193,884 million, having increased ¥770 million compared with the figure at the end of the previous fiscal year (March 31, 2008). This is mainly because increase in current assets such as accounts receivables and inventories by ¥11,991 million, although fixed assets such as investment securities decreased by ¥11,220 million. Total liabilities were ¥102,765 million, having increased ¥3,378 million compared with the figure at the previous fiscal year-end. The main factor was an increase in commercial paper. Net assets amounted to ¥91,118 million, having decreased ¥2,608 million compared with the figure at the previous fiscal year-end. This decrease was mainly attributable to the decrease in unrealized gain on revaluation of securities.

(Consolidated cash flows)

Cash and cash equivalents at the end of the third quarter of the current fiscal year were ¥10,573 million, having increased ¥922 million compared with the previous fiscal year-end.

Net cash from operating activities was an inflow of ¥518 million. This was because the amounts increased in income before income taxes of ¥7,827 million and depreciation and amortization of ¥5,192 million were more than the amounts increased in accounts receivables and inventory assets and payment of income taxes.

Net cash used in investing activities was ¥4,527 million. The main factor was an expenditure on capital investment of approximately ¥4,600 million.

Net cash provided by financing activities was ¥4,968 million. The principal factor was issuance of commercial paper.

3. Qualitative information on forecast of the consolidated financial results

In the challenging operating environment, the Group promoted efficient sales activities, which resulted in cost reduction. As a result, the Group posted favorable financial results on a consolidated basis for the third quarter of the fiscal year ending March 31, 2009. However, the worldwide economic downturn is having an adverse impact on the Japanese economy, as indicated by the widespread rapid deterioration of business performance and worsening employment condition, which is resulting in further weakening of personal consumption. In these circumstances, there is a growing sense of urgency concerning the outlook for the operating environment of the Group. The forecasts of the financial results for the year ending March 31, 2009, are unchanged from the forecasts announced on May 15, 2008.

4. Others

(1) Significant changes in subsidiaries during the term (changes in specific subsidiaries with changes in the scope of consolidation)

There is no related information.

(2) Adoption of the simplified accounting as well as specific accounting for preparing the quarterly consolidated financial statements

- 1) Inventories at the end of the third quarter of the year ending March 31, 2009 are calculated using a reasonable estimate based on the physical inventory amount at the previous fiscal year-end, in lieu of performing physical inventory count.

Write-downs of the book value of inventory are based on the estimated net sale amount of inventories whose profitability has clearly worsened.

- 2) Income taxes are computed, taking into consideration only significant addition and deduction items and tax exemption items. The Company judges the recoverability of deferred tax assets with a method that uses the future earning forecast and tax planning that were used in the previous fiscal year, when the Company has judged that there has been no significant change in the management environment or other circumstances and in the status of occurrence of temporary difference since the end of the previous fiscal year.

(3) Changes in accounting policies, procedures and methods of presentation for preparing the quarterly consolidated financial statements

- 1) Effective from the first quarter of the fiscal year ending March 31, 2009, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (ASBJ

Guidance No. 14) are applied. In addition, Quarterly consolidated financial statements are prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

- 2) Inventories held for ordinary sales were previously stated at cost determined by the monthly gross average method. However, in line with the application of the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006), effective from the first quarter of the fiscal year ending March 31, 2009, onward, inventories held for ordinary sales are stated at cost determined by the monthly gross average method (book value stated in a balance sheet is written down in accordance with a decline in profitability). This change has no material impact on operating income, ordinary income or income before income taxes on consolidated results of the third quarter of current fiscal year.
- 3) Effective from the first quarter of the fiscal year ending March 31, 2009, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18, May 17, 2006) is applied and necessary adjustments are made for consolidated financial reporting. This change has no material impact on operating income, ordinary income or income before income taxes on consolidated results of the third quarter of current fiscal year.

(Additional information)

The Company and its consolidated subsidiaries in Japan reviewed their use of assets, taking the opportunity of the fiscal 2008 tax revision concerning the useful lives of depreciable assets. As a result, effective from the fiscal year ending March 31, 2009, the depreciation method in accordance with the revised Corporation Tax Law is applied. As a result of this change, operating income, ordinary income and income before income taxes of the first nine months of current fiscal year were ¥428 million lower, respectively.

5. Consolidated Financial Statements for the Third Quarter Ended December 31, 2008

(1) Consolidated balance sheets

(Millions of yen)

	Third Quarter of FY2009 (As of December 31, 2008)	FY2008 (As of March 31, 2008)
Assets		
Current assets		
Cash and deposits	10,614	9,691
Trade notes and accounts receivable	34,999	30,718
Securities	16	121
Merchandise and finished goods	13,069	11,351
Work in progress	104	198
Raw materials and supplies	10,501	7,467
Others	5,159	2,920
Allowance for doubtful accounts	(206)	(201)
Total current assets	74,258	62,267
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	26,009	27,055
Machinery, equipment and vehicles, net	18,861	18,861
Land	24,796	25,054
Construction in progress	309	1,021
Others, net	1,003	944
Total tangible fixed assets	70,980	72,938
Intangible fixed assets		
Goodwill	195	446
Others	514	531
Total intangible fixed assets	709	978
Investments and other assets		
Investment securities	41,177	49,733
Others	7,329	7,645
Allowance for doubtful accounts	(572)	(449)
Total investments and other assets	47,935	56,928
Total fixed assets	119,625	130,845
Total assets	193,884	193,113

(Millions of yen)

	Third Quarter of FY2009 (As of December 31, 2008)	FY2008 (As of March 31, 2008)
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,821	14,146
Short-term loans	22,204	29,074
Accrued income taxes	3,877	2,054
Reserve for employee bonuses	175	267
Reserve for directors' bonuses	–	41
Others	20,242	14,491
Total current liabilities	60,320	60,076
Long-term liabilities		
Bonds	8,098	8,098
Long-term debt	20,159	12,396
Reserve for employee retirement benefits	2,090	2,008
Reserve for directors' retirement benefits	908	780
Others	11,188	16,026
Total long-term liabilities	42,445	39,310
Total liabilities	102,765	99,386
Net assets		
Shareholders' equity		
Common stock	12,240	12,240
Additional capital surplus	11,388	11,387
Retained earnings	57,451	54,724
Treasury stock, at cost	(2,311)	(2,308)
Total shareholders' equity	78,769	76,043
Unrealized gain or loss and adjustment		
Unrealized gains on revaluation of securities	10,374	15,301
Deferred gain (loss) on hedges	(16)	(1)
Foreign currency translation adjustment	82	439
Total unrealized gain or loss and adjustment	10,439	15,738
Minority interests	1,909	1,944
Total net assets	91,118	93,726
Total liabilities and net assets	193,884	193,113

(2) Consolidated statements of income

(Millions of yen)

	Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)
Net sales	210,216
Cost of sales	161,943
Gross profit	48,272
Selling, general and administrative expenses	39,543
Operating income	8,728
Non-operating income	
Interest income	43
Dividend income	822
Others	388
Total non-operating income	1,255
Non-operating expenses	
Interest expenses	659
Foreign exchange loss	204
Others	391
Total non-operating expenses	1,255
Ordinary income	8,727
Extraordinary income	
Gain on sale of fixed assets	64
Gain on sales of affiliates' stocks	11
Gain on forgiveness of debt	135
Others	47
Total extraordinary income	257
Extraordinary losses	
Loss on retirement or sale of fixed assets	120
Impairment loss	605
Loss on revaluation of investment securities	351
Others	80
Total extraordinary losses	1,158
Income before income taxes	7,827
Income taxes	5,342
Income tax adjustments	(1,610)
Total income taxes	3,731
Minority interests	39
Net income	4,056

(3) Consolidated statements of cash flows

(Millions of yen)

	Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)
Cash flows from operating activities	
Income before income taxes	7,827
Depreciation and amortization	5,192
Impairment loss	605
Amortization of goodwill	62
Increase (decrease) in allowance for doubtful accounts	128
Interest and dividend income	(866)
Interest expenses	659
Loss (gain) on revaluation of investment securities	351
Foreign exchange loss (gain)	155
Equity in losses (earnings) of affiliates	105
Loss (gain) on sale of tangible fixed assets	(27)
Loss on retirement of fixed assets	126
Gain on forgiveness of debt	(135)
Decrease (increase) in trade notes and accounts receivable	(4,357)
Decrease (increase) in inventories	(4,719)
Increase (decrease) in trade notes and accounts payable	(269)
Others, net	(915)
Sub-total	3,923
Interest and dividends received	865
Interest paid	(685)
Payments for income taxes	(3,585)
Net cash provided by (used in) operating activities	518
Cash flows from investing activities	
Acquisition of tangible fixed assets	(4,659)
Proceeds from sale of tangible fixed assets	152
Purchase of investment securities	(791)
Proceeds from sale of investment securities	653
Lending of loans receivable	(124)
Collection of loans receivable	118
Others, net	122
Net cash used in investing activities	(4,527)
Cash flows from financing activities	
Net increase (decrease) of short-term loans	(892)
Increase (decrease) of commercial paper	5,000
Proceeds from long-term debt	9,080
Repayments of long-term debt	(7,033)
Acquisition of treasury stock	(5)
Proceeds from sale of treasury stock	3
Cash dividends paid	(1,170)
Dividends paid to minority shareholders	(13)
Net cash provided by (used in) financing activities	4,968
Effect of exchange rate changes on cash and cash equivalents	(52)
Increase (decrease) in cash and cash equivalents	906
Cash and cash equivalents at beginning of the term	9,651
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	16
Cash and cash equivalents at end of the term	10,573

Effective from the first quarter of the fiscal year ending March 31, 2009, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (ASBJ Guidance No. 14) are applied. In addition, Quarterly consolidated financial statements are prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

(4) Notes on premise of a going concern

There is no related information.

(5) Segment information

a. Business segment information

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
Net sales						
(1) Net sales to external customers	81,975	106,815	21,425	210,216	-	210,216
(2) Internal sales or transfers between segments	2,802	694	1,659	5,156	(5,156)	-
Total	84,777	107,509	23,084	215,372	(5,156)	210,216
Operating income	5,267	4,055	(556)	8,767	(38)	8,728

Notes: 1. Business segmentation method

Business segmentation is based on considerations of similarities between product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, bran, buckwheat
Food	Wheat flour for home use, premixes, pasta, frozen foods, deli foods
Others	Pet foods, health foods, food-related machinery and equipment

3. No unallocated operating expenses are included in the unallocated and eliminations category.

b. Geographically segmented information

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

Because net sales for Japan exceed 90% of aggregate net sales for all segments, geographically segmented information is omitted.

c. Overseas sales

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

Because overseas sales account for less than 10% of consolidated net sales, overseas net sales information is omitted.

(6) Notes on significant changes in the amount of shareholders' equity

There is no related information.

[Reference]

1. Financial Statements for the Previous Third Quarter

(1) (Summary) consolidated statements of income for the previous third quarter

(Millions of yen)

	Third Quarter of FY2008 (April 1, 2007 – December 31, 2007)
	Amount
I Net sales	188,967
II Cost of sales	144,726
Gross profit	44,241
III Selling, general and administrative expenses	38,245
Operating income	5,996
IV Non-operating income	
Interest and dividend income	823
Others	896
Total non-operating income	1,719
V Non-operating expenses	
Interest expenses	610
Others	1,234
Total non-operating expenses	1,844
Ordinary income	5,871
VI Extraordinary income	766
VII Extraordinary losses	411
Income before income taxes	6,225
Income taxes	3,083
Income tax adjustments	38
Minority interests	86
Net income	3,017

(2) (Summary) Interim consolidated statements of cash flows

(Millions of yen)

	Third Quarter of FY2008 (April 1, 2007 – December 31, 2007)
	Amount
I Cash flows from operating activities	
Income before income taxes	6,225
Depreciation and amortization	4,502
Decrease (increase) in trade notes and accounts receivable	(5,358)
Decrease (increase) in inventories	2,240
Increase (decrease) in trade notes and accounts payable	1,385
Others, net	(1,800)
Sub-total	7,194
Interest and dividends received	833
Interest paid	(645)
Payments for income taxes	(3,021)
Net cash provided by (used in) operating activities	4,361
II Cash flows from investing activities	
Acquisition of fixed assets	(5,503)
Proceeds from sale of fixed assets	348
Purchase, sale, and redemption of investment securities	(1,226)
Others, net	59
Net cash used in investing activities	(6,321)
III Cash flows from financing activities	
Net increase (decrease) of short-term loans	1,061
Net increase (decrease) of commercial paper	1,000
Repayments of long-term debt	(1,209)
Increase (decrease) of guarantee deposits of lending stock received	(2,000)
Acquisition of treasury stock	(803)
Proceeds from sale of treasury stock	1
Cash dividends paid	(1,197)
Net cash provided by (used in) financing activities	(3,147)
IV Effect of exchange rate changes on cash and cash equivalents	71
V Increase (decrease) in cash and cash equivalents	(5,034)
VI Cash and cash equivalents at beginning of the term	12,024
VII Cash and cash equivalents at end of the term	6,989

(3) Segment information

a. Business segment information

Third Quarter of FY2008 (April 1, 2007 – December 31, 2007)

(Millions of yen)

	Flour Milling	Food	Other Businesses	Total	Unallocated and Eliminations	Consolidated
I Net sales and operating income						
Net sales						
(1) Net sales to external customers	69,365	98,984	20,618	188,967	-	188,967
(2) Internal sales or transfers between segments	1,502	628	2,166	4,298	(4,298)	-
Total	70,868	99,612	22,785	193,265	(4,298)	188,967
Operating expenses	67,345	96,954	22,954	187,255	(4,283)	182,971
Operating income	3,522	2,657	(169)	6,010	(14)	5,996

Notes: 1. Business segmentation method

Business segmentation is based on considerations of similarities between product types and markets.

2. Classification of main products by business segment

Business Segment	Main Products
Flour Milling	Wheat flour, bran, buckwheat
Food	Wheat flour for home use, premixes, pasta, frozen food, deli foods
Others	Pet food, health foods, food-related machinery and equipment

3. No unallocated operating expenses are included in the unallocated and eliminations category.

b. Geographically segmented information

Third Quarter of FY2008 (April 1, 2007 – December 31, 2007)

Because net sales for Japan exceed 90% of aggregate net sales for all segments, geographically segmented information is omitted.

c. Overseas sales

Third Quarter of FY2008 (April 1, 2007 – December 31, 2007)

Because overseas sales account for less than 10% of consolidated net sales, overseas net sales information is omitted.